



COMPTROLLER  
of MARYLAND  
*Serving the People*

Summer 2013

Peter Franchot, Comptroller  
[www.marylandtaxes.com](http://www.marylandtaxes.com)

From the Desk of the

## Comptroller



While many Marylanders are enjoying the cool waters of Deep Creek Lake or riding the waves in Ocean City, my office is busy preparing for the annual *Shop Maryland*

*Tax-Free Week*, a seven-day stretch in mid-August that offers consumers the ability to get great deals on eligible items at Maryland stores without paying the state's 6 percent sales tax.

This year's tax-free week is scheduled for Sunday, August 11 – Saturday, August 17. Clothing and footwear priced at \$100 or less are eligible for the exemption.

This program is great news for families who need to do back-to-school shopping for clothes and for any Marylander who is in the market for new apparel and footwear.

*Shop Maryland Tax-Free Week* also provides a welcome boost in activity for local Maryland retailers.

Working with our partners at the Maryland Retailers Association, we are actively alerting the business community about this wonderful opportunity to generate sales during the dog days of summer. Look for our promotional materials in area malls, at toll plazas and on buses around the state.

To find out more about *Shop Maryland Tax-Free Week*, including viewing a detailed list of covered items, visit my agency's website, [www.marylandtaxes.com](http://www.marylandtaxes.com), call (800) MD-TAXES or (410) 260-7980 from central Maryland, or e-mail [shopmaryland@comp.state.md.us](mailto:shopmaryland@comp.state.md.us).

*Peter Franchot*

## Electronic Filing Requirements, Applicable to 2013 Tax Returns

Due to legislation passed in 2012, taxpayers are required to file their tax return electronically, if they wish to claim certain tax credits. The requirements of this legislation apply to the filing of the Maryland 2013 tax returns.

Affected taxpayers include those claiming the following business tax credits on Maryland Form 500CR including:

- Job Creation Income Tax Credit
- One Maryland Economic Development Income Tax Credit,

*See "E-File" continued on Page 8*

# Revenue

# 2013 Changes in the Sales and Use Tax Law

**T**he General Assembly passed the following changes in 2013 impacting Maryland's Sales and Use Tax Law. These changes went into effect on July 1, 2013, unless otherwise indicated.

**SB 486/HB 523 – Short-Term Rental of Motorcycles – Sales and Use Tax and Motor Vehicle Law:** The cross-filed bills include motorcycle rentals in the definition of “short-term vehicle rental” for purposes of the state sales and use tax. Now, motorcycle rentals are subject to the 11.5% sales tax rate applicable to short-term vehicle rentals. The bills also exempt motorcycle rentals from the motor vehicle excise tax and specify that rental motorcycles are subject to a \$35 annual vehicle registration fee.

**SB 745 – Public Safety – 9-1-1 Emergency Telephone Systems – Collection of Surcharge:**  
The bill creates a **Prepaid Wireless E 9-1-1 Fee** for prepaid wireless telecommunications services. Starting July 1, 2013, sellers of prepaid wireless telecommunications services became required to report and remit to the Comptroller's Office all **Prepaid Wireless E 9-1-1** fees collected by the seller for retail transactions of prepaid wireless telecommunications. Prepaid wireless

telecommunications service means a commercial mobile radio service that allows a consumer to dial 9-1-1 or access 9-1-1 service must be paid for in advance; and is sold in predetermined units that decline with use in a known amount. The 60¢ fee is collected by the seller from the consumer for each retail transaction in Maryland, which is not subject to Maryland Sales and Use tax.

Businesses that sell prepaid wireless telecommunications services are required to report and remit to the Comptroller's Office all **Prepaid Wireless E 9-1-1** fees collected by the seller. Before December 28, 2013, a seller may deduct and retain 50% of **Prepaid Wireless E 9-1-1** fees collected from consumers for direct start-up costs. On or after December 28, 2013, a seller may deduct and retain 3% of prepaid wireless E 9-1-1 fees collected from consumers. Please see Form 202, Sales and Use Tax Return to report and remit.

**HB 232 – Sales and Use Tax - Exemption - Parent-Teacher Organization Fundraisers:**

The bill provides that the sales and use tax does not apply to a sale by specified parent-teacher organizations or other organizations within an elementary or secondary school in the state or within a school system in the state.

## EFT ACH No Longer Available For Sales and Use Tax Filings After August 1, 2013

Beginning August 1, the Comptroller's Office can no longer accept Maryland Sales and Use Tax payment from Maryland businesses through the Electronic Funds Transfer Automated Clearinghouse (EFT ACH) option. Instead, the agency is suggesting taxpayers required to pay by immediately available funds use the free bFile service available on the Comptroller's website, [www.marylandtaxes.com](http://www.marylandtaxes.com). However, before using bFile, please verify that the financial institution accepts debit transactions.

Alternatively, taxpayers may make credit card payments online at [www.officialpayments.com](http://www.officialpayments.com) or by phone at 1-800-2PAYTAX.

The change stems from the passage of laws requiring more detailed information and record-keeping than EFT ACH can accommodate. In the past, the state has allowed businesses to pay most tax obligations via EFT using either an ACH debit or credit.

Withholding, Corporate Income and Motor Fuel tax payments will continue to be accepted via EFT ACH.

## 2013 Changes in the Sales and Use Tax Law *(continued)*

### **HB 1513 – Public Safety – Response to a State Disaster or Emergency – Licensing and Taxes:**

The bill establishes that an out-of-state business that performs disaster- or emergency-related work during a disaster period does not establish a level of presence that would require the out-of-state business or its out-of-state employees to be subject to any requirement to collect and remit Maryland sales and use tax among other requirements.

Having taken effect on June 1, 2013, the bill requires an out-of-state business to provide to the Comptroller's Office a statement that the business is in the state solely for purposes of performing disaster- or emergency-related work. The statement must include the following information for the out-of-state business: (1) name; (2) state of domicile; (3) principal address; (4) federal tax identification number; (5) date of entry into the state; and (6) contact information. A registered business in the state must provide the same information for any out-of-state business affiliate that enters the state to perform disaster- or emergency-related work.

### **HB 1515 – Transportation Infrastructure Investment Bill of 2013:**

The bill imposes a sales and use tax equivalent rate on all motor fuel except for aviation and turbine fuel beginning

in fiscal 2014. The percentage rate used to calculate the sales and use tax equivalent rate effective on July 1, 2013 is 1%. The rate increases to 2% on January 1, 2015, and to 3% in fiscal 2016. However, if federal legislation on sales tax collection is not enacted by December 1, 2015, the percentage rate used to calculate the sales and use tax equivalent rate increases from 3% to 4% on January 1, 2016, and then increases to 5% beginning in fiscal 2017.

Alternatively, if federal legislation is enacted and the Comptroller's Office adopts regulations that require out-of-state sellers to collect the state sales and use tax on sales by out-of-state sellers to buyers in the state before December 1, 2015, the percentage rate used to calculate the sales and use tax equivalent rate remains at 3% and the Comptroller's Office is then required to distribute 4% of total state sales and use tax revenue.

### **New Alcohol Permits Allowing Sales of Alcohol:**

A number of new alcohol permits were created by legislation in the 2013 session. Sales of alcohol under these new permits are subject to the 9% sales and use tax rate on the taxable price of alcoholic beverage sales.

Please see the General Assembly's website for more information: <http://mgaleg.maryland.gov>.

**Remember that the fastest, safest and easiest way to meet your sales and use tax obligation is to file and pay electronically!**



Use your smartphone to visit us online!



## A Closer Look at the Transportation Infrastructure Investment Act

The Transportation Infrastructure Investment Act, passed by the Maryland General Assembly and signed by the Governor, increased the motor fuel tax rate on all fuels except aviation gasoline and turbine fuels. Under the legislation, on or before June 1 of each year, the Comptroller's Office will determine and announce: (1) the growth in the Consumer Price Index for all urban consumers; and (2) the motor fuel tax rates effective for the fiscal year beginning on the following July 1. Any increase in the motor fuel tax rates may not be greater than 8% of the previous year's rate.

Also, beginning July 1, 2013, a sales and use tax equivalent rate is imposed on all motor fuel except for aviation and turbine fuel. On certain dates, the Comptroller's Office is required to determine and announce: (1) the average annual retail price of motor fuel; and (2) the sales and use tax equivalent rate effective on the first day of the following month. The sales and use tax equivalent rate is determined by multiplying the average annual retail price by a certain percentage rate, and rounding the product to the nearest tenth of a cent.

The percentage rate used to calculate the sales and use tax equivalent rate effective on July 1, 2013 will be 1%.

The sales and use tax equivalent rate will be added to the motor fuel tax rate, and collected in the same manner as the motor fuel tax. The total motor fuel tax rate is 27 cents per gallon, up from the prior rate of 23.5 cents per gallon. Therefore, the increase on a gallon of gasoline is 3.5 cents.

For the first increase in the motor fuel tax rate and the sales and use tax equivalent rate, and for each subsequent rate increase, anyone possessing tax-paid motor fuel for sale at the start of business on the date of an increase must compile and file with the Comptroller's Office an inventory of the motor fuel held at the close of business on the previous day and remit within 30 days any additional tax that is due on the motor fuel.

Please see Form 779 on the Comptroller's website, [www.marylandtaxes.com](http://www.marylandtaxes.com) to report and remit the additional tax due. Additional information on the Transportation Infrastructure Investment Act can be found on the Comptroller's website at: [http://taxes.marylandtaxes.com/Business\\_Taxes/Taxpayer\\_Assistance/Business\\_Tax\\_FAQs/Motor\\_Fuel\\_Tax/Transportation\\_Investment\\_Act\\_FAQs/](http://taxes.marylandtaxes.com/Business_Taxes/Taxpayer_Assistance/Business_Tax_FAQs/Motor_Fuel_Tax/Transportation_Investment_Act_FAQs/)

## New Software Designations and e-File Amended Returns

There will be a significant change in the software approval process for Maryland MeF for the upcoming tax year. Beginning January 1, 2014, the Comptroller's Office will designate e-File Software Vendors' Maryland products as either basic or comprehensive. This will apply to both business and individual income tax software packages.

The basic designation will be used for simple returns. Software packages designated as comprehensive will support all electronic forms, including amended returns (new for 2013 tax returns) and the transmission of binary attachments (PDFs).

These designations will help taxpayers and tax professionals determine which software will best fit their needs. The Comptroller's Office will maintain a current list of software vendors approved for each designation on its website.

If you have questions, please contact the Maryland eFile Helpdesk by email at [efile@comp.state.md.us](mailto:efile@comp.state.md.us) or by phone at 410-260-7753 between 8 am and 5 pm, Monday through Friday.

## Comptroller Unveils Official Portrait of Maryland's 31st Comptroller Robert Swann



Comptroller Franchot unveiled the official portrait of Maryland's 31st Comptroller, Robert L. Swann, in a special ceremony in the Goldstein Treasury Building on July 18.

Robert Swann was appointed Comptroller after the death of Maryland's longest-serving Comptroller Louis L. Goldstein's on July 3, 1998, and served until William Donald Schaefer took office in January 1999.

"Bobby Swann provided the stability desperately needed during a difficult time to allow this agency to transition from Louie's office to the Comptroller's Office we know it as today," said Comptroller Franchot during the ceremony.

The portrait unveiling is the first in a series of events honoring the more than 30 men from across Maryland who served as head of the agency. Maryland's comptrollers, have been lawyers, doctors, bankers, miners, newspapermen, teachers and farmers.

Some have had a huge impact on how we live today, while others have made a difference in a quieter way.

**"Bobby Swann provided the stability desperately needed during a difficult time to allow this agency to transition from Louie's office to the Comptroller's Office we know it as today."**

*-Comptroller Peter Franchot*

## Did You Know? Comptroller's Office Offers Free Assistance Throughout the Year

The Comptroller's Office offers plenty of assistance beyond the filing season. Here are some of the most frequently requested topics by taxpayers.

**Taxpayer Service:** Call 410-260-7980 from Central Maryland or 1-800-638-2937 from elsewhere.

**Central Registration Unit:** For help in completing the Combined Registration Application, call 410-260-7980 from Central Maryland or 1-800-638-2937 from elsewhere. You can also fax your completed application to 410-260-7908 or complete and file the application online at [www.marylandtaxes.com](http://www.marylandtaxes.com).

**Refund Unit, Compliance Division:** For information about sales and use tax, admissions and amusement tax and tire fee refunds, call 410-767-1538.

**License Bureau, Investigative Services Unit:** To determine if special licenses are required, call 410-260-6240.

**No Tax Due?** If you have no tax due for the filing period, you may telefile your business tax return at 410-260-7225. You can also file your business tax return electronically, using bFile.

**Don't forget** to check out the agency's website [www.marylandtaxes.com](http://www.marylandtaxes.com) in order to:

- File business taxes electronically, using bFile.
- Pay existing income and business tax liabilities online, using BillPay.
- Register business tax accounts online.
- Verify sales tax exemption certificates online.
- Use other online services.



## Comptroller's Perseverance Results in Increased Penalties for Cigarette Smuggling, New Legislation Effective October 1, 2013

For the past two years, Comptroller Franchot has been advocating for increased penalties for cigarette smuggling. During this past legislative session, his continued efforts proved successful. The increased penalties take effect on October 1, 2013.

While Senate Bill 69 increases criminal penalties for cigarette smuggling, it also increases the amount of tobacco products that can be legally brought into Maryland without the tobacco tax applying. Under the current law, Maryland residents, who are not members of the United States military, are only legally permitted to bring two packs of cigarettes into the state without remitting the tobacco tax. However, the new legislation increases the legal limit to five cartons of cigarettes and removes the distinctions in current law between types of consumers.

"This new legislation clarifies that the state is not after average citizens, but commercial traffickers who are bringing cigarettes into Maryland for the purpose of reselling them on the black market," said Comptroller Franchot.

Under the new legislation, the monetary fine increased from a current penalty of up to \$50 to a mandatory \$150 fine for each carton of cigarettes or package of other tobacco products transported illegally. For subsequent offenses, a provision is added to the law imposing a higher fine of \$300 for each carton or package. First and subsequent offenders may also receive a sentence of up to two years imprisonment.

For the fiscal year 2013, which ended on June 30, Comptroller Franchot's agents arrested and charged 170 individuals for tobacco violations, resulting in the confiscation of 374,226 packs of cigarettes valued at more than \$2.4 million.

Additionally, agents confiscated 133 gallons of distilled liquor, 108 gallons of wine and 4,618 containers of beer as a result of 42 alcohol violations in fiscal 2013. The total retail value of the seized alcohol was just over \$17,000.

## 6% Discount for 7 Days, Shop Maryland Tax-Free Week

This year's tax-free period on clothing and footwear will begin Sunday, August 11 and conclude Saturday, August 17, 2013. During this period, the sales and use tax does not apply to the sale of any items of clothing or footwear, excluding accessory items, if the price of the item of clothing or footwear is \$100 or less.

Accessory items including jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles are not exempt from the tax during this period.



## Comptroller Debuts Maryland Masters Award

Comptroller Peter Franchot recently announced the creation of a new award program aimed at recognizing youth who have displayed extraordinary artistic skills and a vision for Maryland's future. Dubbed the Maryland Masters Award, the initiative will celebrate the achievements of Marylanders through the arts and showcase the work of students from Kindergarten through 12th grade in the Comptroller's Office in Annapolis.

"Maryland's economic potential undoubtedly lies in our ability to cultivate the creative spirit of our young people and to inspire them to embrace the diversity and beauty of their surroundings," said Comptroller Franchot.

To launch this effort, Comptroller Franchot has reached out to public school superintendents of all 23 counties and Baltimore City, requesting that they identify one piece of artwork from an elementary, middle and high school

student within their jurisdiction. The selected students, their families and school officials will be invited to join Comptroller Franchot and other state officials for an official art exhibit unveiling ceremony, where the students will receive the Maryland Masters Award.

Following the debut, the art will remain on display for two months. The student artwork will join a collection of original paintings by one of Comptroller Franchot's favorite artists, Herman Maril. Called an American modernist, Maril was born in Baltimore and served as a professor at University of Maryland for more than 30 years.

"With the tremendous home-grown talent we have in Maryland, I'm looking forward to showing off the masters of Maryland's future alongside the acclaimed work of artists from Maryland's past," said Comptroller Franchot.

**"Maryland's economic potential undoubtedly lies in our ability to cultivate the creative spirit of our young people..."**

*-Comptroller Peter Franchot*

## Comptroller Designates Annapolis Data Center as Linda Tanton Technology Center

Following a vote of approval by Maryland Board of Public Works on July 24, 2013, Comptroller Franchot dedicated the state's Annapolis Data Center in honor of retired Deputy Comptroller Linda L. Tanton. During her tenure as Deputy Comptroller, she positioned the agency as a national leader in taxpayer service, tax fairness and technology innovation.

Tanton, a Baltimore City resident, retired from the agency in December 2012 after more than 35 years of exemplary state service, including six years as Maryland's Deputy Comptroller. Recognized as a trailblazer, Tanton was the

first woman to ever head the Comptroller's Compliance Division and the first woman to serve as Deputy Comptroller.

Thanks to her leadership, the agency recaptured more than \$2 billion in uncollected tax liabilities from January 2007- December 2012. In an effort to recognize her service, the Annapolis Data Center was designated as the Linda Tanton Technology Center.

## 'E-File'

*continued from Page 1*

- Enterprise Zone Income Tax Credit, and/or
- Biotechnology Income Tax Credit

In addition, the Comptroller can require other tax credits to be included through regulation, if the inclusion of the other credits will not "have a material adverse impact or undue administrative burden on the Comptroller."



# Revenews

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